

112TH CONGRESS  
1ST SESSION

# H. R. 3482

To prevent identity theft and tax crimes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 2011

Ms. CASTOR of Florida introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To prevent identity theft and tax crimes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax Crimes and Iden-  
5 tity Theft Prevention Act”.

6 **SEC. 2. EXPEDITED RESOLUTION FROM INTERNAL REV-**  
7 **ENUE SERVICE FOR IDENTITY THEFT VIC-**  
8 **TIMS.**

9 Not later than 90 days after an individual notifies  
10 the Secretary of the Treasury that such individual’s iden-

1 tity has been misused by another person in connection  
2 with the internal revenue laws, the Secretary shall, to the  
3 extent practicable, determine the extent to which the tax-  
4 payer's return and return information were affected by  
5 such misuse and shall take such actions as are necessary  
6 to correct such affected return or return information with  
7 respect to such misuse.

8 **SEC. 3. DISCLOSURE OF RETURN AND RETURN INFORMA-**  
9 **TION IN FEDERAL AND STATE PROSECUTION**  
10 **RELATING TO IDENTITY FRAUD.**

11       (a) IN GENERAL.—Subsection (k) of section 6103 of  
12 the Internal Revenue Code of 1986 is amended by adding  
13 at the end the following new paragraph:

14               “(11) DISCLOSURE OF CERTAIN RETURN IN-  
15               FORMATION IN CONNECTION WITH IDENTITY THEFT  
16               AND FRAUDULENT RETURNS.—

17               “(A) IN GENERAL.—In the case of an in-  
18               vestigation pertaining to the misuse of the iden-  
19               tity of another person for purposes of filing a  
20               false or fraudulent return of tax, upon receipt  
21               of a written request which meets the require-  
22               ments of subparagraph (C), the Secretary may  
23               disclose return information to officers and em-  
24               ployees of any Federal law enforcement agency,  
25               or any officers and employees of any State or

1 local law enforcement agency, who are person-  
2 ally and directly engaged in the investigation of  
3 any crimes implicated in such misuse, but only  
4 if any such law enforcement agency is part of  
5 a team with the Internal Revenue Service in  
6 such investigation.

7 “(B) LIMITATION ON USE OF INFORMA-  
8 TION.—Information disclosed under this sub-  
9 paragraph shall be solely for the use of such of-  
10 ficers and employees to whom such information  
11 is disclosed in such investigation.

12 “(C) REQUIREMENTS.—A request meets  
13 the requirements of this clause if—

14 “(i) the request is made by the head  
15 of the agency (or his delegate) involved in  
16 such investigation, and

17 “(ii) the request sets forth the specific  
18 reason why such disclosure may be rel-  
19 evant to the investigation.”.

20 (b) CONFORMING AMENDMENTS.—

21 (1) Paragraph (2) of section 6103(a) of such  
22 Code is amended by inserting “or (k)(11)” after  
23 “subsection (i)(7)(A)”.

1           (2) Paragraph (4) of section 6103(p) of such  
2 Code is amended in the matter preceding subpara-  
3 graph (A) by inserting “or (11)” after “(k)(10)”.

4           (3) Paragraph (2) of section 7213(a) of such  
5 Code is amended by inserting “(k)(11),” after  
6 “(7)(A)(i),”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to disclosures after the date of the  
9 enactment of this Act.

10 **SEC. 4. CRIMINAL PENALTY FOR USING A FALSE IDENTITY**  
11 **IN CONNECTION WITH TAX FRAUD.**

12           (a) IN GENERAL.—Section 7207 of the Internal Rev-  
13 enue Code of 1986 is amended—

14           (1) by striking “Any person who willfully” and  
15 inserting the following:

16           “(a) IN GENERAL.—Any person who willfully”,

17           (2) by striking “Any person required” and in-  
18 serting the following:

19           “(b) INFORMATION IN CONNECTION WITH CERTAIN  
20 EXEMPT ORGANIZATIONS.—Any person required”, and

21           (3) by adding at the end the following:

22           “(c) MISAPPROPRIATION OF IDENTITY.—Any person  
23 who knowingly or willfully misappropriates another per-  
24 son’s tax identification number in connection with any list,  
25 return, account, statement, or other document submitted

1 to the Secretary shall be fined not less than \$25,000  
2 (\$200,000 in the case of a corporation), or imprisoned not  
3 more than 5 years, or both, together with the costs of  
4 prosecution.”.

5 (b) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to returns and information sub-  
7 mitted after the date of the enactment of this Act.

8 **SEC. 5. INCREASED PENALTY FOR IMPROPER DISCLOSURE**  
9 **OR USE OF INFORMATION BY PREPARERS OF**  
10 **RETURNS.**

11 (a) IN GENERAL.—Section 6713(a) of the Internal  
12 Revenue Code of 1986 is amended—

13 (1) by striking “\$250” and inserting “\$1,000”,  
14 and

15 (2) by striking “\$10,000” and inserting  
16 “\$50,000”.

17 (b) CRIMINAL PENALTY.—Section 7216(a) of the In-  
18 ternal Revenue Code of 1986 is amended by striking  
19 “\$1,000” and inserting “\$100,000”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 this section shall apply to disclosures or uses after the date  
22 of the enactment of this Act.

1 **SEC. 6. PIN SYSTEM FOR PREVENTION OF IDENTITY THEFT**  
2 **TAX FRAUD.**

3 (a) IN GENERAL.—Not later than 1 year after the  
4 date of the enactment of this Act, the Secretary of the  
5 Treasury (or the Secretary’s delegate) shall implement an  
6 identify theft tax fraud prevention program under which—

7 (1) a person who has filed an identity theft affi-  
8 davit with the Secretary may elect—

9 (A) to be provided with a unique personal  
10 identification number to be included on any  
11 Federal tax return filed by such person, or

12 (B) to prevent the processing of any Fed-  
13 eral tax return submitted in an electronic for-  
14 mat by a person purporting to be such person,  
15 and

16 (2) the Secretary will provide additional identity  
17 verification safeguards for the processing of any  
18 Federal tax return filed by a person described in  
19 paragraph (1) in cases where a unique personal  
20 identification number is not included on the return.

21 **SEC. 7. AUTHORITY TO TRANSFER INTERNAL REVENUE**  
22 **SERVICE APPROPRIATIONS TO USE FOR TAX**  
23 **FRAUD ENFORCEMENT.**

24 For any fiscal year, the Commissioner of Internal  
25 Revenue may transfer not more than \$10,000,000 to the  
26 “Enforcement” account of the Internal Revenue Service

1 from amounts appropriated to other Internal Revenue  
2 Service accounts. Any amounts so transferred shall be  
3 used solely for the purposes of preventing and resolving  
4 potential cases of tax fraud.

5 **SEC. 8. LOCAL LAW ENFORCEMENT LIAISON.**

6 (a) ESTABLISHMENT.—The Commissioner of Inter-  
7 nal Revenue shall establish within the Criminal Investiga-  
8 tion Division of the Internal Revenue Service the position  
9 of Local Law Enforcement Liaison.

10 (b) DUTIES.—The Local Law Enforcement Liaison  
11 shall—

12 (1) coordinate the investigation of tax fraud  
13 with State and local law enforcement agencies;

14 (2) communicate the status of tax fraud cases  
15 involving identity theft, and

16 (3) carry out such other duties as delegated by  
17 the Commissioner of Internal Revenue.

18 **SEC. 9. REPORT ON TAX FRAUD.**

19 Subsection (a) of section 7803 of the Internal Rev-  
20 enue Code of 1986 is amended by adding at the end the  
21 following new paragraph:

22 “(4) ANNUAL REPORT ON TAX FRAUD.—The  
23 Commissioner shall submit to the Committee on Fi-  
24 nance of the Senate and the Committee on Ways

1 and Means of the House of Representatives an an-  
2 nual report detailing—

3 “(A) the number of reports of tax fraud  
4 and suspected tax fraud received from State  
5 and local law enforcement agencies in the pre-  
6 ceding year, and

7 “(B) the actions taken in response to such  
8 reports.”.

9 **SEC. 10. STUDY ON THE USE OF PREPAID DEBIT CARDS**  
10 **AND COMMERCIAL TAX PREPARATION SOFT-**  
11 **WARE IN TAX FRAUD.**

12 (a) IN GENERAL.—The Comptroller General shall  
13 conduct a study to examine the role of prepaid debit cards  
14 and commercial tax preparation software in facilitating  
15 fraudulent tax returns through identity theft.

16 (b) REPORT.—Not later than 1 year after the date  
17 of the enactment of this Act, the Comptroller General shall  
18 submit to the Committee on Finance of the Senate and  
19 the Committee on Ways and Means of the House of Rep-  
20 resentatives a report with the results of the study con-  
21 ducted under subsection (a), together with any rec-  
22 ommendations.



1 **SEC. 11. RESTRICTION ON ACCESS TO THE DEATH MASTER**  
2 **FILE.**

3 (a) IN GENERAL.—The Secretary of Commerce shall  
4 not disclose information contained on the Death Master  
5 File to any person with respect to any individual who has  
6 died at any time during the calendar year in which the  
7 request for disclosure is made or the succeeding calendar  
8 year unless such person is certified under the program es-  
9 tablished under subsection (b).

10 (b) CERTIFICATION PROGRAM.—

11 (1) IN GENERAL.—The Secretary of Commerce  
12 shall establish a program to certify persons who are  
13 eligible to access the information described in sub-  
14 section (a) contained on the Death Master File.

15 (2) CERTIFICATION.—A person shall not be cer-  
16 tified under the program established under para-  
17 graph (1) unless the Secretary determines that such  
18 person has a legitimate fraud prevention interest in  
19 accessing the information described in subsection  
20 (a).

21 (c) IMPOSITION OF PENALTY.—Any person who is  
22 certified under the program established under subsection  
23 (b), who receives information described in subsection (a),  
24 and who during the period of time described in subsection  
25 (a)—

1           (1) discloses such information to any other per-  
2       son, or

3           (2) uses any such information for any purpose  
4       other than to detect or prevent fraud,

5 shall pay a penalty of \$1,000 for each such disclosure or  
6 use, but the total amount imposed under this subsection  
7 on such a person for any calendar year shall not exceed  
8 \$50,000.

9       (d) EXEMPTION FROM FREEDOM OF INFORMATION  
10 ACT REQUIREMENT WITH RESPECT TO CERTAIN  
11 RECORDS OF DECEASED INDIVIDUALS.—

12           (1) IN GENERAL.—The Social Security Admin-  
13       istration shall not be compelled to disclose to any  
14       person who is not certified under the program estab-  
15       lished under section 9(b) the information described  
16       in section 9(a).

17           (2) TREATMENT OF INFORMATION.—For pur-  
18       poses of section 552 of title 5, United States Code,  
19       this section shall be considered a statute described  
20       in subsection (b)(3)(B) of such section 552.

1 **SEC. 12. EXTENSION OF AUTHORITY TO DISCLOSE CERTAIN**  
2 **RETURN INFORMATION TO PRISON OFFI-**  
3 **CIALS.**

4 (a) **IN GENERAL.**—Section 6103(k)(10) of the Inter-  
5 nal Revenue Code of 1986 is amended by striking sub-  
6 paragraph (D).

7 (b) **REPORT FROM FEDERAL BUREAU OF PRIS-**  
8 **ONS.**—Not later than 6 months after the date of the enact-  
9 ment of this Act, the head of the Federal Bureau of Pris-  
10 ons shall submit to Congress a detailed plan on how it  
11 will use the information provided from the Secretary of  
12 Treasury under section 6103(k)(10) of the Internal Rev-  
13 enue Code of 1986 to reduce prison tax fraud.

14 (c) **SENSE OF SENATE REGARDING STATE PRISON**  
15 **AUTHORITIES.**—It is the sense of the Senate that the  
16 heads of State agencies charged with the administration  
17 of prisons should —

18 (1) develop plans for using the information pro-  
19 vided by the Secretary of Treasury under section  
20 6103(k)(10) of the Internal Revenue Code of 1986  
21 to reduce prison tax fraud, and

22 (2) coordinate with the Internal Revenue Serv-  
23 ice with respect to the use of such information.

1 **SEC. 13. TREASURY REPORT ON INFORMATION SHARING**  
2 **BARRIERS WITH RESPECT TO IDENTITY**  
3 **THEFT.**

4 (a) REVIEW.—

5 (1) IN GENERAL.—The Secretary of the Treas-  
6 ury (or the Secretary’s delegate) shall review wheth-  
7 er current Federal tax laws and regulations related  
8 to the confidentiality and disclosure of return infor-  
9 mation prevent the effective enforcement of local,  
10 State, and Federal identity theft statutes. The re-  
11 view shall consider whether greater information  
12 sharing between the Internal Revenue Service and  
13 State and local law enforcement authorities would  
14 improve the enforcement of criminal laws at all lev-  
15 els of government.

16 (2) CONSULTATION.—In conducting the review  
17 under paragraph (1), the Secretary shall solicit the  
18 views of, and consult with, State and local law en-  
19 forcement officials.

20 (b) REPORT.—Not later than 180 days after the date  
21 of enactment of this Act, the Secretary shall submit a re-  
22 port with the results of the review conducted under sub-  
23 section (a), along with any legislative recommendations,  
24 to the Committee on Finance of the Senate and the Com-  
25 mittee on Ways and Means of the House of Representa-  
26 tives.

1 **SEC. 14. GRANTS TO INVESTIGATE AND PROSECUTE STATE**  
2 **AND LOCAL TAX CRIMES.**

3 (a) GRANT PROGRAM AUTHORIZED.—The Attorney  
4 General is authorized to award grants to State and local  
5 law enforcement agencies to assist such agencies in the  
6 investigation and prosecution of tax crimes.

7 (b) AUTHORIZATION OF APPROPRIATIONS.—For each  
8 fiscal year, there are authorized to be appropriated to  
9 carry out this section, from amounts made available in  
10 each such fiscal year to carry out the Edward Byrne Me-  
11 morial Justice Assistance Grants program under part E  
12 of title I of the Omnibus Crime Control and Safe Streets  
13 Act of 1968 (42 U.S.C. 3750 et seq.), \$50,000,000.

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